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Press Release on Economic and Monetary Conditions for July 2011

The economy in July 2011 moderated. Agricultural and manufacturing production declined while domestic demand moderated mainly from private consumption. Meanwhile, export and tourism sector continued to expand favorably. Inflation, as well as expected inflation and production costs remained high.

Details of the economic conditions are as follows:

Regarding the **supply side**, both agricultural and manufacturing production contracted. **Agricultural production** continued to decline by 7.3 percent year-on-year (yoy) mainly from decreased rice production as a result of the government's campaign to dissuade farmers from second crop plantations since the beginning of the year. Concurrently, **agricultural price** grew at a slower pace by 4.8 percent (yoy). This was attributable to an increase in the supply of agricultural products, including fruits, rubber, oil palm, and cassava. As a result, **farm income** decreased by 2.9 percent (yoy). Meanwhile, **Manufacturing Production Index (MPI)** dropped by 1.1 percent (yoy) from a contraction of production in several industries. In particular, production in garment and textile industries continued to contract in response to decreased orders, as well as the relocation of production base towards neighboring countries. At the same time, production in electronic tubes and parts industries contracted for the first month following weaker demand in the world market and high inventory level. Furthermore, production in chemical industry temporarily contracted as a result of the shut-down for maintenance. Nevertheless, production in other industries continued to grow in tandem with expansion in both domestic and external demand.

With regard to **Domestic demand**, **Private Consumption Index (PCI)** expanded by 2.1 percent (yoy), moderating from the previous month mainly from decelerated VAT, as well as a reduction in benzene consumption following rising oil prices. In addition, consumers postponed the purchases of new motorcycles due to flooding in several areas. However, imports of consumer goods, as well as passenger and commercial car sales continued to rise. **Private Investment Index (PII)** increased by 6.2 percent (yoy) mainly due to improvement in commercial car sales, which resumed growth of 10.1 percent (yoy) after a two-consecutive-month contraction from Japan's supply disruption. Meanwhile, other investment indicators, including imports of capital goods, the construction area permitted in municipal areas, and domestic cement sales, continued to expand in line with accelerated corporate credit of 16.0 percent (yoy). **Fiscal expenditures** remained stimulative to the economy, reflected by the government's cash balance deficit of 38.6 billion baht.

External demand, both export and tourism sectors, expanded markedly. **Export value** amounted to 21,098 million US dollars, growing across all product categories by 36.4 percent (yoy) (or 30.2 percent (yoy) excluding gold). In particular, rice and rubber export grew favorably from both price and quantity. In addition, exports of automobiles improved after the supply disruption problem had been resolved, while exports of plastics and plastic products increased in response to rising demand from China and

ASEAN. Regarding **tourism sector**, the number of foreign tourist arrivals in Thailand totaled 1.6 million people, growing by 21.5 percent (yoy), owing mainly to the rising number of tourists from Asia and Russia.

A decline in the production sector, together with moderation in domestic demand, caused the **import value** to decelerate to 13.1 percent (yoy) (or 21.1 percent (yoy) excluding gold). This was mainly due to a decrease in imports of raw materials for plastic production following the temporary shut-down for maintenance of chemical factories. In addition, imports in the automobile industry decreased following a reduction in imports of automobiles. However, imports of automobile parts gradually increased towards the normal level. Meanwhile, imports of other product categories continued to expand well, especially fuel import, which accelerated this month after the oil refineries had been temporarily shut down for maintenance in the previous month.

For **internal stability**, inflation, as well as expected inflation and production costs remained high. The headline and core inflations stood at 4.08 and 2.59 percent (yoy), respectively. In addition, expected inflation increased from the previous month. **External stability** remained sound, the current account and the balance of payments continued to register surpluses, and international reserves stood at a solid level.

Bank of Thailand
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